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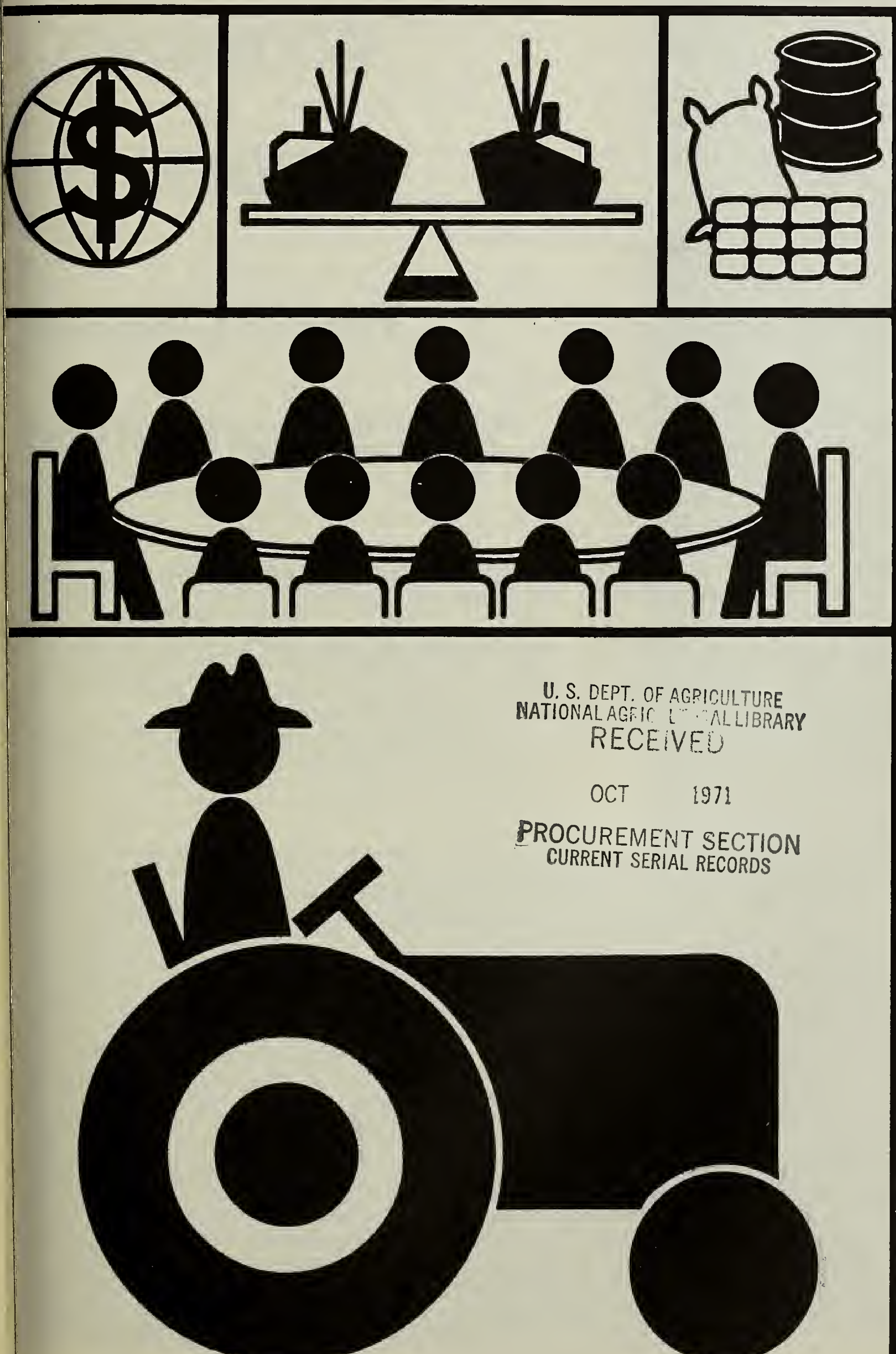
FOREIGN AGRICULTURE



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September 27, 1971

THE NEW ECONOMIC POLICY AND AGRICULTURAL TRADE

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

FOREIGN AGRICULTURE
VOL. IX • No. 39 • Sept. 27, 1971

In this issue:

This week's cover:

The international position of the U.S. dollar; the U.S. balance of trade and payments; the future of U.S. agricultural exports; and the discussions now going on with other countries—all these are of concern to the U.S. farmer during these early weeks of President Nixon's New Economic Policy.

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Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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THE NEW ECONOMIC POLICY—

What It Means To U.S. Agriculture

Hardly anyone has more at stake in the New Economic Policy than does the American farmer. Not only is he uniquely affected by inflation, he is heavily dependent on overseas markets, and he has been a positive factor in the U.S. trade balance—contributing a record plus to this balance at a time when the Nation's international economic position was being severely eroded on other fronts.

It was a rapid and rather sudden deterioration in the U.S. balance of payments position that triggered the New Economic Policy announcd by President Nixon on August 15. This announcement set the Nation on a new economic course, with a three-pronged effort to "create a new prosperity without war."

In President Nixon's words: "Prosperity without war requires action on three fronts. We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators."

In the first category, the President proposed strong tax incentives to stimulate capital investment, research, and development by industry; repeal of the present 7-percent excise tax on automobiles; and inauguration next January 1 of the increased personal income tax exemption already scheduled for a year later. He also urged early enactment of the Job Development Act of 1971. To offset the proposed tax cuts, he ordered reductions in Government spending and in Federal employment and a 10-percent cut in foreign economic aid. To concentrate more on full employment, he proposed the reordering of budget priorities by postponing the implementation of revenue sharing and welfare reform.

On the inflation front, President Nixon ordered a 90-day freeze on wages and prices and established a Cost of Living Council to administer the freeze and recommend subsequent measures to stabilize the economy.

The third part of the New Economic Policy looks outward,

toward the disequilibrium in the international economy. Closely related to creating new jobs and halting inflation, it is directed toward protecting "the position of the American dollar as a pillar of monetary stability around the world." Included were the following steps: Temporary suspension of the convertibility of the dollar into gold—the so-called gold float; and a temporary surtax of 10 percent on imports except for certain commodities—particularly those not now subject to duty, those whose duties have not been reduced in trade negotiations, and those that are limited by quotas.

The three parts of the President's NEP—the most comprehensive new economic policy for this Nation in four decades—will work together toward the healthy and expanding American economy that is essential not only for the United States but for its trading partners. A major consideration is the need for American agriculture to remain a "growth factor" and to continue expanding its markets abroad. Secretary of Agriculture Clifford M. Hardin has commented that American farmers stand to benefit from all three aspects of the program.

Fuller employment, he said, will provide stronger domestic markets for farm products; and, because the cost-price squeeze is the No. 1 problem facing American farmers, any action taken to fight inflation is welcome. Of the measures to strengthen the U.S. international economic position, the Secretary said: ". . . the action taken to impose a temporary surcharge on imports and the withdrawal of gold support from the dollar are comparable to what other countries have done in similar balance of payments situations."

"Obviously," he concluded, "American agriculture could make a much stronger contribution than it already has to our balance of payments problem if other countries of the world would admit more of our farm goods."

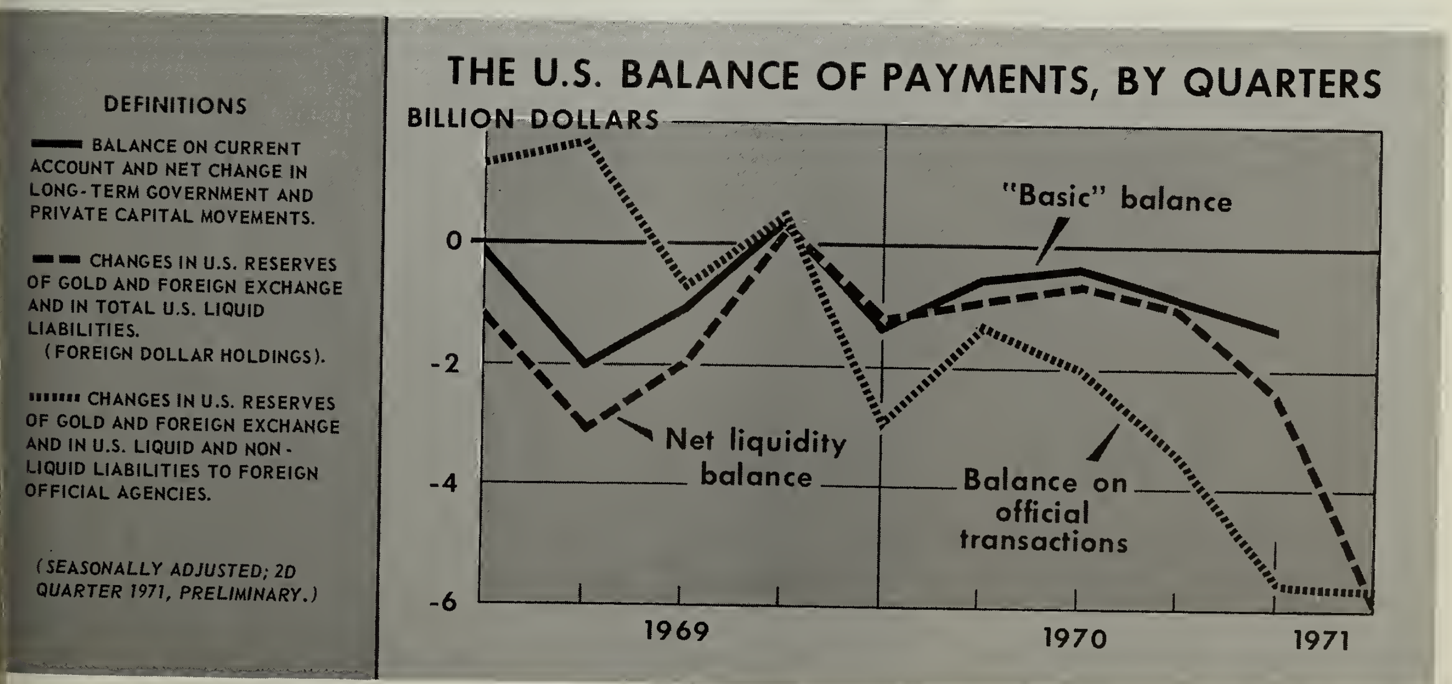
The Honorable Nathaniel Samuels, Deputy Under Secretary of State for Economic Affairs, has described to the Council of the General Agreement on Tariffs and Trade (GATT) the dimensions of the problem: that during the 1960's the U.S. balance of payments deficit averaged $3 billion per year on the liquidity balance and $1.5 billion per year on the so-called "basic balance" (current account and long-term capital account). Although manageable in any given year, these repeated deficits have created severe distortions, which both the United States and its GATT trading partners have felt.

In 1970 and 1971, these balance of payments deficits worsened sharply. During the first half of 1971, they presented the U.S. Government with staggering prospects—a liquidity deficit running at an annual rate of $17 billion, an official settlements deficit running at $23 billion.

At the same time, the U.S. reserve position has been severely and persistently eroded. Since 1960, U.S. reserves have declined by about $7 billion, while those of the rest of the world have risen by about $40 billion. Meanwhile, the United States faced in 1971 the prospect of its first trade deficit since 1893—about $2 billion, marking a slump of more than $8 billion from the comfortable 1964 surplus of $6.5 billion.

Mr. Samuels listed both internal and external causes for these difficulties. The internal causes include sharply rising costs of production not matched by gains in productivity, plus protracted unemployment and inflation side by side, despite U.S. efforts to correct both. But, Mr. Samuels stressed, "our ability to deal with these problems is circumscribed by our key role in the international monetary and payments system, by the defense burdens we carry for ourselves and our allies and trading partners, and by certain trade policies which we accepted in a postwar effort to enable other countries to rebuild their economies and to revitalize their political systems."

This issue of FOREIGN AGRICULTURE deals with the background and implications of the New Policy, as it affects agricultural trade. The article on "International Monetary Issues" describes the current U.S. balance of payments problem and the development of that problem over several years. Following are an article on the "gold float" and three articles covering the import surcharge, the GATT response to the surcharge, and the relation of the surcharge to the traditional liberal trade policy of the United States. The final article is a "summing up" of the New Economic Policy's implications for U.S. agricultural trade.



By O. HALBERT GOOLSBY
Foreign Development and Trade Division
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THE INTERNATIONAL MONETARY ISSUES

The United States has not always had a balance of payments problem in the sense that foreigners hold too many dollars. For several years after World War II this country was one of the few places where industrial goods and some important agricultural commodities could be purchased. The European nations and Japan could not provide for themselves nor did they have the means to import.

There was no question about the value of the dollar in those days. Dollars were valuable because they were the means of obtaining the goods and services produced by this country. Furthermore, the value of the dollar was assured, in the minds of many people, by the fixed relationship of the dollar to gold and our large gold holdings. In 1950 the value of U.S. gold holdings was more than 2½ times as large as the number of dollars held by foreigners.

As European nations recovered from the war, all this was to change. But the change in the position of the dollar occurred slowly and was not easy to measure. Because dollars were used so often in international transactions, they became the international medium of exchange. Importers, exporters, and banks dealing in foreign trade became accustomed to quoting prices and making payments in dollars. As a result, large liquid balances denominated in dollars were necessary for private international transactions.

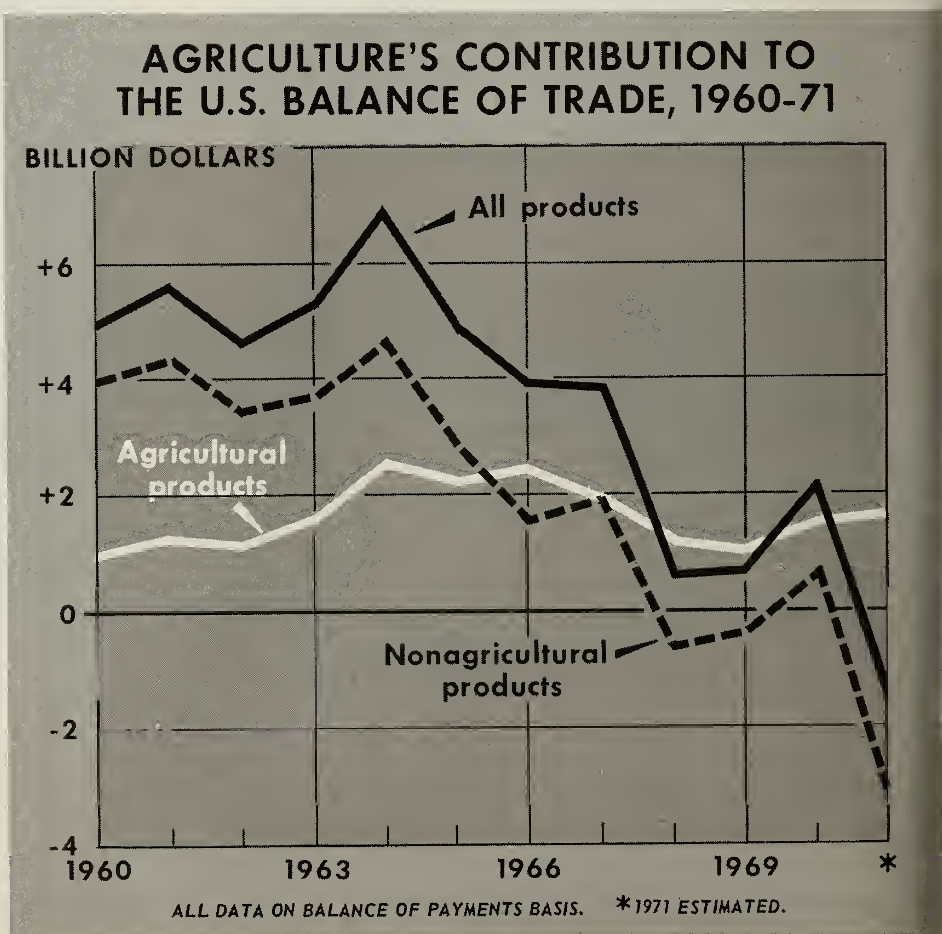
By 1960, however, the number of dollars held by foreigners was larger than the value of our gold holdings. This change was caused more by the increase in dollar holdings (136 percent) than by the loss of gold (20 percent). Nevertheless, some concern was expressed over this change. It was interpreted in some quarters to mean that the dollar was overvalued; that is, the dollar purchased more goods and services overseas than it rightly should.

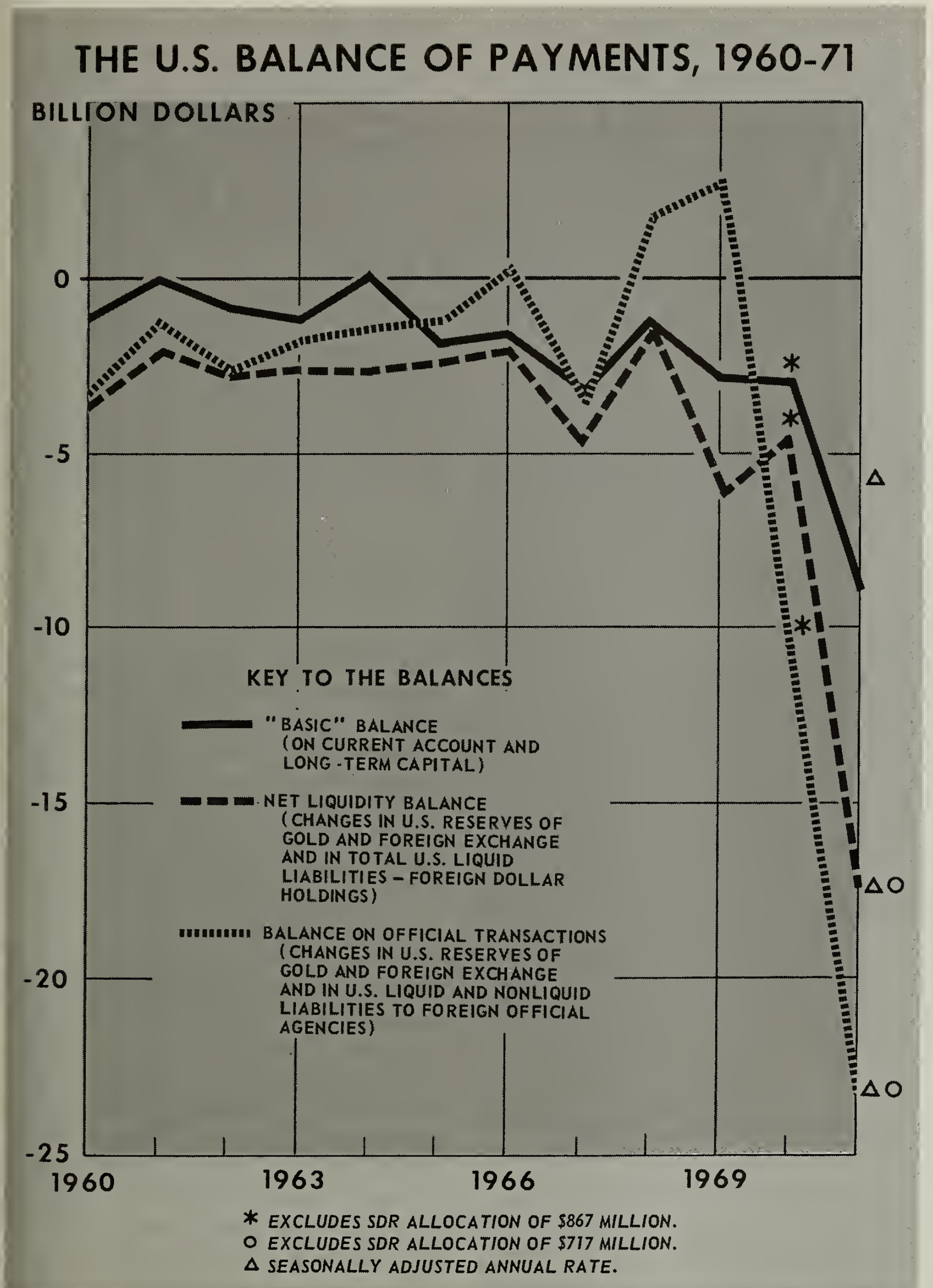
However, a good argument could be made that many of the dollars held were needed for commercial transactions. If they were not needed for this purpose they could be transferred to Central Banks. It was, therefore, only dollars held by Central Banks or other official monetary agencies that represented a real threat to our gold supply. Furthermore, many dollars came into the hands of foreigners as a result of U.S. grants and concessional loans—an indication that the dollar was still desired by many.

Up until the mid-1960's the U.S. balance of payments was measured by the change in our gold supply and the change in dollars held by all foreigners—official agencies and commercial entities. For many years a deficit was accepted because it meant additional international liquidity. But as the gold supply continued to drop, as dollars held by foreigners increased, and as industrial nations recovered fully from the war, the concern over the balance of payments deficit grew.

As concern increased, additional attention was given to the U.S. balance of payments accounts. It soon became apparent that the old definition of our balance of payments did not adequately portray the strength or weakness of the dollar, since greater dollar holdings abroad might reflect a desire for greater liquidity and not a disequilibrium in the international payments position of the United States.

Thus in 1965 the United States started using two measurements of the balance of payments—the old "liquidity balance" and a new "balance on official reserve transactions," which reported only the change in dollars held by Central Banks (plus, of course, any change in our gold supply). However, this defi-





nition also is insufficient, since Central Banks may also desire to increase their dollar holdings. Furthermore, it is not always clear whether dollar holdings by foreigners really belong to official or private agencies. Both definitions suffer from the weakness that they report only the supply of and not the demand for dollars.

In June of this year, three additional ways of measuring the balance of payments were introduced. Each of the five measurements now used has its purpose, but each also has its weaknesses. Consequently no single number can adequately portray the true international payments position of the United States. But by any measure, this U.S. position in the first half of 1971 deteriorated significantly.

In part the dollar outflow was caused by higher interest rates in Europe than in the United States. The inflationary spiral was also in part responsible. Higher incomes were to some extent used to purchase foreign goods, thereby worsening our balance of payments position. With imports increasing and higher prices making exports less competitive, the United States was experiencing a balance of trade deficit one month after another.

Further deterioration during 1971 seemed inevitable as the United States came out of a slowdown and the economy gathered an anticipated upward momentum. The United States has had many balance of payments deficits since World War II, and they have been tolerated—even desired, at times. But not since 1893 have we had an annual trade deficit. The appearance of such a deficit this year was a significant factor in the decision to undertake new economic policies.

The trade deficit for the first half of 1971, seasonally adjusted at an annual rate, was $1.5 billion. This is not particularly large when compared to trade deficits of some other nations that are much smaller than the United States. However, the U.S. trade balance plays a unique role in international monetary affairs. Without a balance of trade surplus, the overall balance of payments position of the United States becomes extremely weak. Many of the other items in the U.S. international payments accounts traditionally have been strongly in deficit.

These deficits are largely the result of the international military and aid commitments the United States has undertaken since World War II. Deficits in these accounts have been tolerated even when they caused an overall deficit, because of one major factor: the U.S. trade balance gave assurance that the dollar was not overvalued.

This is to say that the dollar price of U.S. goods in general did not translate, under exchange rates in use, into foreign currency prices that were too high for foreign consumers. Conversely, foreign currency prices did not translate into dollar prices that were so low as to bring into the United States an overabundance of imports. When the trade balance went negative, the last major indicator that the dollar was a strong currency was removed.

It was not only the trade deficit in the first half of 1971 that caused concern. It was also the trend this balance had shown since 1964. The surplus in 1964 was $6.8 billion. Thus the deterioration in 7 years was $8.3 billion, an average decline of over $1 billion a year.

Without agricultural exports, however, the U.S. balance of trade would not have been so favorable over the last decade. Agricultural exports typically have exceeded agricultural imports by

$1 billion to $2 billion a year during 1961–70. Without this net contribution the U.S. trade surplus would have been smaller by this amount and would even have been a trade deficit in 1968 and 1969. For the whole decade, agricultural exports totaled nearly $61 billion while imports totaled almost $44.5 billion. Exports of U.S. farm produce, while continuing large, could have been much larger, and would have strengthened the dollar further, with more liberal access to foreign markets.

Why, it may be asked, does the dollar have to be a strong currency? The dollar has been used not only as a domestic currency but also as the basis of a stable international monetary system. Stability in this system means that exporters and importers know with reasonable certainty from day to day the value of what they are giving and receiving in international transactions. Stability (though not rigidity) in the system is essential for a healthy level and a steady growth in international trade. For over a quarter of a century enormous progress was achieved. Free World trade in 1946 equaled $35 billion; by 1970 it equaled $280 billion.

Stability in the monetary system was accomplished under procedures established by a conference held at Bretton Woods, N.H., in 1944. Basically, this system required: That most industrial nations keep a fixed relationship between their currencies and the dollar; and that the United States keep a fixed relationship between the dollar and gold ($35 an ounce). Thus the dollar became the yardstick against which foreign nations measured the value of their currencies.

Of course, a nation also defined the value of its currency in terms of gold, since there was a fixed relationship between gold and the dollar. Under this system it was assumed that a dollar would be as good a "store of value" as gold. If the value of the dollar started a

(Continued on page 14)

THE GOLD FLOAT

By O. HALBERT GOOLSBY
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The international monetary system that had served the world since the mid-1940's has been seriously altered in recent years by economic changes and by new policies taken to deal with these changes. The United States took one further step when it announced on August 15 that it would no longer exchange gold for dollars at $35 an ounce. This announcement affected only official transactions between governments, since the major financial nations of the Free World had already agreed not to sell or purchase gold from private sources. Not to purchase from private sources was a major aspect of the agreement creating the two-tier gold market in March 1968.

Cutting the dollar loose from gold did not automatically cause the dollar to float relative to other currencies. To float in this respect means that there is no fixed relationship (that is, exchange rate) between the dollar and other currencies. Under the rules of the International Monetary Fund (IMF), a nation could let the dollar value of its currency deviate by no more than 1 percent above or below its par value—a value that the country established with the IMF under certain conditions.

If, because of market forces, the value of a particular country's currency started to go beyond the 1-percent tolerance, the Central Bank of that country was required to buy its own currency (usually with dollars) if its value was too low or sell if too high. When Central Banks stop buying or selling as IMF rules require, that country's currency is "floating."

Even prior to August 15, some currencies were floating. After the statement some currencies, under special circumstances, continued to maintain a fixed relationship with the dollar. That is, they did not float. Nevertheless, ending the fixed relationship of gold to the dollar brought pressure on certain foreign nations to revalue their currencies.

The pressure was created for those countries earning, on balance, a large number of dollars each year. These countries knew that these dollars could not be used to purchase gold from the United States if and when the purchasing power of the dollar in their opinion fell too greatly. One way of stopping the inflow of dollars, of course, was to make their currencies more expensive to buy. Thus tourism becomes more expensive, for example, and their exports become more expensive to U.S. importers. A revaluation upward of their currencies would do this.

Nearly all of the important trading partners of the United States have subsequently permitted the value of their currencies to float upward. Some nations have permitted the forces of supply and demand of the private sector to operate freely, and some nations apparently have, through their Central Banks, stepped into the market to control the upward float in their currencies.

It has been almost entirely the "supply" of dollars in the exchange market in developed countries that brought pressure for revaluation upward of foreign currencies. This is a supply and demand phenomenon. A large supply of dollars means, in this situation, a large demand for marks, francs, yen, or other currencies, driving up their prices.

The supply of dollars represents in part an accumulation over the years, reflecting past U.S. balance of payments deficits. More recently there has been a huge outflow of dollars as a result of higher interest rates in foreign nations and the current balance of trade deficit.

Canada, Germany, and the Netherlands were already floating their currencies before the dollar tie to gold was cut. They permitted their currencies to continue to float. France and Belgium

have created a "two-tier" exchange rate system. Under a "commercial tier" the exchange rate is kept fixed at the rate in existence when the dollar tie to gold was ended. Foreign exchange at the old rate can be purchased only for trading purposes. Foreign exchange for most other purposes must be bought under the second tier, the "financial tier." The exchange rate in this market floats as market forces dictate.

At the time this article was written, most currencies had appreciated around 5 percent to 8 percent against the dollar since they were permitted to float, although this varies from day to day and from country to country.

The results of this appreciation for U.S. agriculture are not immediately evident. They will in large part depend upon the final monetary adjustments.

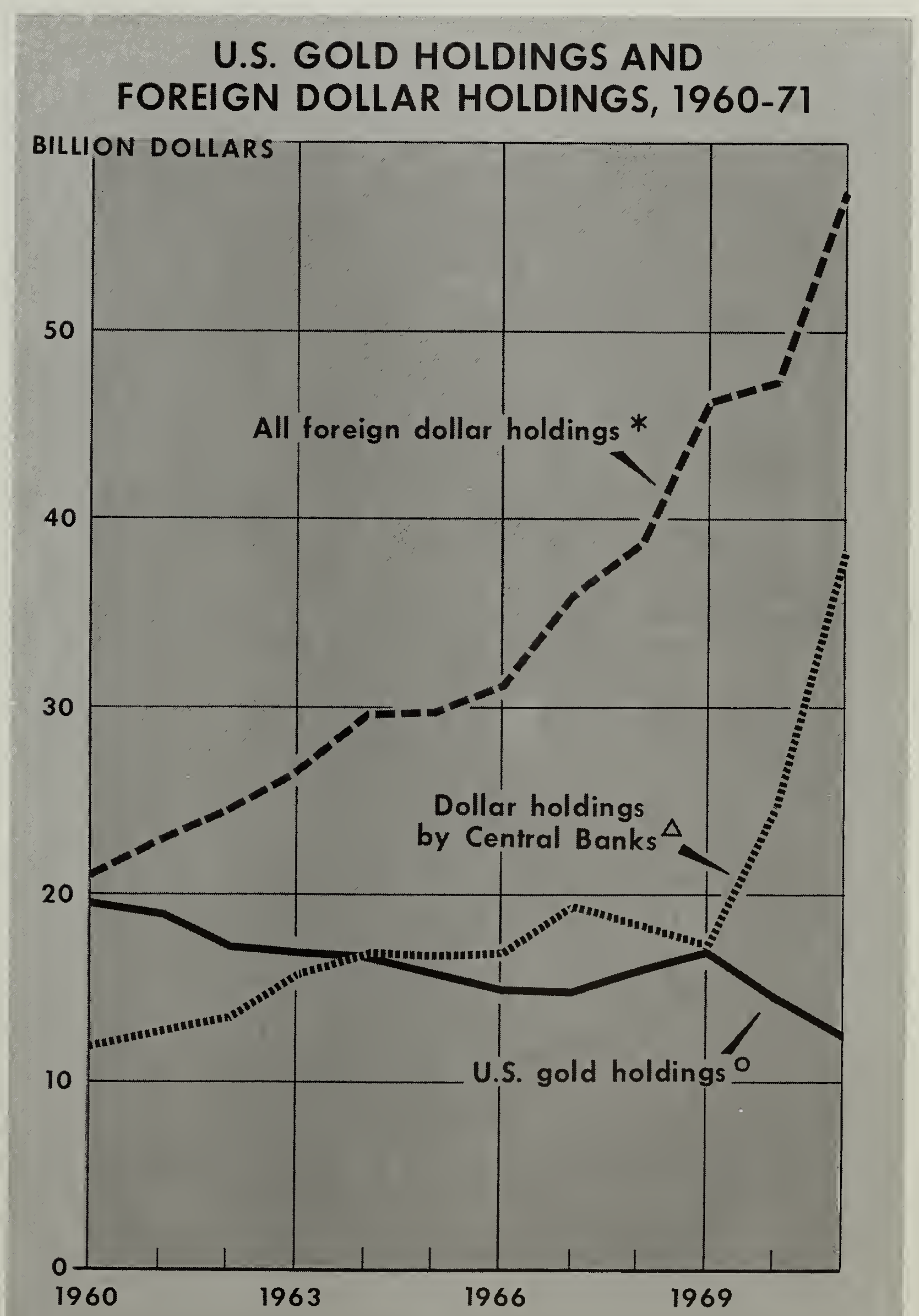
Wherever appreciation occurs, imports into the appreciating country are cheaper. When the Japanese yen floated upward, it decreased the number of yen a Japanese importer needed to obtain a dollar, and thus it may benefit U.S. exporters—but not necessarily. For example, it also takes fewer yen to purchase an Australian dollar. The United States would only gain a competitive advantage if, in this example, the Australians also decided to revalue so that it took the same, or approximately the same, number of yen to purchase an Australian dollar as it did before the yen revaluation. U.S. dollars would be cheaper but not Australian dollars. Australians could also reduce their prices (in terms of their own dollars) so that the United States would gain nothing.

Nations revaluing can of course increase trade barriers so that no net advantage is obtained. In the Common Market, for example, there would be an automatic adjustment for items subject to the variable levy system, and this would largely offset the effect of dollar devaluation in that market. This automatic adjustment is not made in fixed-duty items such as soybeans.

Revaluation will also make imports by the United States more expensive and perhaps reduce the demand for commodities produced in countries undertaking revaluation. However, most countries revaluing are industrial countries and not large exporters to us of agricultural commodities.

Since the dollar is no longer tied to gold, new rules for an international monetary system are required. The International Monetary Fund (IMF) will hold its annual meeting starting on September 27. Deputies of the Group of Ten met in Paris on September 3 in an effort to draw up an agenda for the ministerial-level meeting of the world's 10 richest nations in London on September 15 and 16. In the September 3 meeting there was a lack of full agreement on what the agenda should be. Nonetheless, decisions made at the ministerial-level meeting may be influential in the discussions now going on at the IMF's annual meeting.

Since agricultural commodities are nearly a fifth of total U.S. exports, American farmers stand to benefit from the actions announced by the President on August 15 and the reactions to that program. A major benefit should lie in the new monetary relationships to be established in coming months.



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1971, AUGUST 13 ESTIMATE.

The New U.S. Import Surcharge—What Is It?

By ROBERT M. McCONNELL
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In his speech on August 15 President Nixon stated that as of that day "an additional tax of 10 percent" would be imposed on the importation of goods into the United States. He went on to state that "This import tax is a temporary action."

The President provided the following reasons for the levying of this additional import tax (or surcharge): "to protect the dollar, to improve our balance of payments, and to increase jobs for Americans." He said that the action would assure that goods of the United States would not be placed at a disadvantage "because of unfair exchange rates."

Presidential Proclamation No. 4074, which imposed the surcharge, provided further information on the scope of the action. According to the proclamation, the surcharge is to be levied "on all dutiable articles" entering the United States.

For example, the duty on canned beef entering the United States prior to August 16 was 9 percent ad valorem; that is, \$9 duty was paid for every \$100 worth of canned beef imported. With the surcharge, the import duty on this product is now 19 percent ad valorem, and the amount of money collected per \$100 is \$19.

It has been determined by the Cost of Living Council (the group established by President Nixon to administer the wage-price freeze) that so long as the imported commodity does not lose its identity, the surcharge levied on it may be passed on to subsequent buyers on a dollar-for-dollar basis.

The Secretary of the Treasury was delegated authority to implement and administer the surcharge. The Secretary is also empowered to reduce, eliminate, reimpose, or establish exemptions from the surcharge. Under subsequent orders issued by Secretary Connally, a number of items have been declared exempt from the surcharge. The exemptions stem from one or more of the following three reasons:

- They are listed as duty free.
- The volume of imports is controlled.
- There is no difference between the "most-favored-nation" (MFN) duty (column 1 of the Tariff Schedules of the United States) and the "general" duty (column 2).

The schedule of tariffs of the United States is divided into two groups or columns; usually there is an applicable duty rate in each column for all commodities entering this country. The Column 2 tariff, commonly referred to as the general or "statutory" rate, is currently applicable to goods imported from Communist countries. These rates were established by Congress in 1930. The Column 1, most-favored-nation, rates are applicable to imports from countries other than those specifically listed as Communist dominated. These rates, which are usually lower than the corresponding general rates, are the results of trade negotiations over the years; the most notable example is the "Kennedy Round" of GATT negotiations, which took place in the mid-1960's.

HOW THE SURCHARGE APPLIES TO AGRICULTURAL COMMODITIES

Item	Value of 1970 imports	Share of imports
	Mil. dol.	*Percent*
Total agricultural imports	5,667	100
Duty-free imports	2,381	42
Imports subject to quotas	1,369	24
Imports subject to Column 2 tariffs	412	7
Total agricultural trade exempted	4,162	73
Total agricultural trade subject to surcharge	1,505	27

VARIATION IN SURCHARGE EFFECT, BY MAJOR AGRICULTURAL SUPPLIERS

Country or area	Value of 1970 imports	Share affected by surcharge
Developing:	*Mil. dol.*	*Percent*
Latin America (except Brazil or Mexico)	1,198.8	15
Brazil	531.0	10
Mexico	512.9	38
Total all LDC's	3,154.2	7
Developed:		
European Community	388.5	71
Australia	370.3	15
Canada	305.4	66
New Zealand	203.8	22

The President's proclamation specifically stated that the surcharge would be applicable to "dutiable" items entering the United States. Therefore, all items whose duty status was free on August 15 were declared exempt from the surcharge. Likewise, it was determined that the surcharge would not be levied on commodities whose volume of entry into the United States is subject to quota restrictions.

The highest rate of duty which can be levied on any commodity is that shown in column 2 of the U.S. Tariff Schedules. This has had two effects on President Nixon's surcharge action. For some items there is no difference between the Column 1 and Column 2 rates, and therefore no surcharge can be added to the most-favored-nation rate.

The other situation arises when the addition of the surcharge to the Column 1 rate would cause it to exceed the Column 2 rate. In these cases, the applicable surcharge will be less than 10 percent and will be the actual difference between the two columns. An example of this latter situation is the amount of the surcharge to be levied on processed parsley; the Column 1 rate is 16 percent ad valorem while the Column 2 rate is 20 percent. The difference in the two rates is only 4 percent, and this is the limit of the surcharge.

The impact on the portion of total imports affected by the surcharge can not easily be estimated. On the basis of 1970 trade data it is estimated that about half of the total value of U.S. imports will be subject to the surcharge. Naturally, in cases where the addition of the surcharge will render the duty-paid price of a commodity noncompetitive, future imports of this item will be curtailed. It should be realized, however, that, as shown in an earlier example, the full 10 percent would not apply in all cases of items subject to surcharge.

A smaller percentage of agricultural imports are subject to the surcharge. Again, future trade may not bear out the estimation, but based on the value of agricultural imports in 1970, the surcharge will be levied on only about $1.5 billion worth of these commodities. Based on this assumption, only about 27 percent of U.S. agricultural imports will be liable for the surcharge; 73 percent will be exempt.

The surcharge will be levied on some items in all major commodity classes. On the basis of their import value in 1970 some of the important items are (in millions of dollars):

Beef, canned	50.6
Beef, prepared	60.2
Pork, fresh and frozen	24.2
Apparel wool	56.0
Tomatoes, fresh	95.9
Onions, including sets	6.7
Strawberries, fresh and frozen	24.7
Olive oil, edible	19.9
Tobacco, oriental	94.6
Hops	13.1
Wines and champagnes	140.0

The list of agricultural commodities whose importation will be exempted from the surcharge is extensive. From a monetary standpoint the most important group of items is that which had a duty-free entry status on August 15. Many items in this category are tropical products, such as bananas, coffee, spices, and natural rubber.

The administrative decision by the Secretary of the Treasury to exempt quota-controlled items from the surcharge affected only a few items. However, the value of these goods, about 25 percent of the value of all agricultural imports in 1970, is significant. The commodities exempted by virtue of quotas are sugar; fresh, chilled or frozen beef; certain dairy products; wheat and flour; raw and waste cotton; and peanuts.

For a third group of agricultural imports the surcharge will not be applied because the applicable duty on August 15 was the same as the Column 2 (U.S. Tariff Schedule) rate. Some of these items are canned hams and shoulders, feeder cattle (200 to 700 lb.), stuffed olives, fresh peppers, and fresh oranges.

The actual application of the surcharge by country varies greatly and the developing countries as a group are least affected. It is estimated that about three-fifths of the total value of imports from developed countries will be affected by the surcharge as compared to only one-third of the value of goods arriving from the less developed countries.

On agricultural commodities, there also is a wide range in the country-by-country effect of the surcharge.

Many questions have been raised concerning the surcharge, including how long it will remain in effect. The President termed the surcharge a "temporary action" and coupled its termination with actions taken by other nations which will assist the United States to attain a balance of trade and payments.

Member Nations of the GATT Examine Import Surcharge

By JO ANN HALLQUIST
Trade Policy Division
Foreign Agricultural Service

THE United States, in applying the 10-percent surcharge on imports, has done so within the framework of its obligations under the General Agreement on Tariffs and Trade.

As a member of the GATT, the United States has committed itself to a general policy directed to the substantial reduction of tariffs and other barriers to trade and most-favored-nation treatment. Moreover, this Nation has over the past several decades negotiated "bindings" in GATT on a number of tariff items. Because of these agreements, the United States was required to report the surcharge to GATT, together with the resulting changes in effective tariff rates on the many items bound in GATT. The GATT Secretariat, in turn, called a meeting of the Council of the 78-member organization for August 24 and 25, to consider the U.S. action.

President Nixon's speech on August 15 made it clear that the surcharge is temporary. The White House statement released at the same time said that the United States was prepared to confer on this temporary measure with other members of the GATT at their convenience. GATT, as the statement pointed out, allows members to protect their trade positions when faced with severe balance of payments difficulties.

The GATT is three things: A set of negotiated tariff concessions; a set of written general rules designed in large measure to make these concessions meaningful; and a forum for contracting parties to hear complaints, make decisions, and make arrangements for further negotiations.

A tariff concession is usually an undertaking by one country not to place a duty or charge on an imported product above a specified level. In GATT, these concessions have been negotiated in general rounds of tariff negotiations. The last of these was the Kennedy Round—the sixth round, with 60 countries participating in the negotiations.

The concessions are intended to be trade liberalizing. Where duties apply, the aim is to reduce them from their existing levels. In the Kennedy Round, for example, Japan agreed to cut its duty on oilseeds from about 12 percent to 6 percent ad valorem. Once a cut such as this is made, protection is arrested at that point. The duty is in fact considered "bound" against increase, and GATT's general rules respecting it come into play. Thus, concessions are often called "bindings."

One of the better known concessions is one granted to the United States by the European Community, under which the EC bound itself in GATT to duty-free status for soybeans and meal. GATT tariff concessions negotiated with the United States on soybeans, meal, cake, and oil, for example, cover more than $1.2 billion in U.S. exports —about 70 percent of our total commercial sales of these products. This is

very large coverage. The GATT contains many other bindings valuable to U.S. agriculture. Most U.S. duties on agricultural imports are bound also.

It is not fair to suggest that the GATT is simply a body of rules to protect concessions. It is considerably more than that; it is a charter for the conduct of world trade. Nevertheless, over the years, the GATT has tended to be most effective in support of tariff concessions.

Duty bindings at the frontier can be nullified or impaired in many ways and each has a GATT rule to counter it.

- Some countries can be given preferential treatment through lower duties. The general GATT rule here is most-favored-nation treatment. No country in GATT is supposed to receive better import treatment than any other country.
- Imported products can be taxed after they enter the country at a rate higher than domestically produced products. The general rule here is that of national treatment. Imported products are supposed to be treated no worse than products of domestic origin.
- Quantitative restrictions can be applied to limit the amount of product which could enter the country. The general rule here is that quantitative restrictions are not to be used.
- Finally, domestic subsidies and support systems could stimulate production within the country, thus displacing imported products. The GATT rule here —somewhat less clearly stated than the other rules, but a rule nevertheless—is that such systems should not nullify or impair the benefits of tariff concessions.

These are the major rules of the GATT as they apply to imports. Of course, they were all subject to exception when they were first drafted (one such exception allows a country to use quantitative restrictions in times of balance of payments difficulties). GATT rules have been waived in many instances and special circumstances since then. Nevertheless, in their entirety they form a definite pattern. The drafters of the GATT saw the import duty as the only legitimate barrier to trade, and even this type of barrier was to be bound against increase and gradually negotiated away.

Seventy-eight countries now belong to the General Agreement on Tariffs and Trade. They get together at least once a year to review the work of the GATT, make decisions, make recommendations to the members, grant waivers, and so on. During the rest of the year, the ongoing work is handled by the smaller Council, which meets from time to time with certain delegated powers.

Working parties comprised of a few selected countries also meet from time to time to consider trade complaints put before the GATT by its members, to deal with special problems arising out of the operation of the agreement, or to handle other necessary work. It is such a working party that has been established by the Council to examine the U.S. surcharge on imports.

The administrative work of the GATT is in the hands of a small Secretariat, headed by a Director General.

It was within the above framework that the GATT Council met August 24 to consider the import surcharge initiated a week earlier by the United States. The chief U.S. representative was Deputy Under Secretary of State Nathaniel Samuels, who presented a full explanation of the reasoning behind imposition of the surcharge.

"The surcharge," he said, "is intended to achieve a relatively rapid benefit for our balance of trade and payments while more fundamental measures take effect." A surcharge, Mr. Samuels added, appeared to offer fewer disadvantages than the other types of action that might have been taken. It seemed more easily dismantled, more compatible with a competitive approach and efficient resource allocation, would not require an elaborate administrative structure, would be less discriminatory than quota restrictions, and was most rapidly applicable under existing U.S. legal authority. These reasons added up to an action less severe on our trading partners than that envisaged in the GATT articles under similar circumstances.

The U.S. Government did not invoke any particular article of GATT when notification of the surcharge was made. Mr. Samuels explained to the Council that "The trade and monetary situation to which we address ourselves, and in which every country has a fundamental stake, transcends any particular article."

Under article 12 of the GATT, the United States was entitled to place quantitative restrictions on imports. However, the need for prompt action and the desire to avoid the administrative complications and the greater restrictiveness of import quotas led the United States to adopt the surcharge.

While article 12 permits quantitative restrictions, there also are precedents for import surcharges for alleviating balance of payments problems.

Canada adopted an import surcharge in June 1962—a move precipitated by a drop in Canadian foreign exchange reserves. The United Kingdom, for balance of payments reasons, adopted an import surcharge in October 1964 that was finally abolished 2 years later.

MORE TRAD

By JOHN J. HUDSON
Trade Policy Division
Foreign Agricultural Service

Freer world trade remains a prime goal of American agriculture. When President Nixon presented his New Economic Policy on August 15, he stated: "The purpose of the Government actions I have announced tonight are to lay the basis for renewed confidence, to make it possible for us to compete fairly with the rest of the world, to open the door to new prosperity." These actions included, among other things, imposition of a temporary 10-percent import surcharge. It is clear, however, that such an action must be viewed in the light of the broader purposes stated and of the directions in which our efforts will now be bent.

For example, it should be clear that American farmers cannot look upon the new import surcharge as a means of protection from foreign competition. For many of our major farm products, of course, the surcharge either does not apply, or—because there are practically no imports—is insignificant: wheat, corn, rice, soybeans and soybean products, cotton, certain dairy products, and oranges, for example.

For some farmers, the surcharge may temporarily afford some additional protection, but we are committed to its removal as soon as we and our overseas trading partners "can deal with the circumstances that dictated its use." American farmers, who export the produce of 1 acre in 4, obviously still have a large stake in a liberal trade policy.

The record of American agriculture

At the conclusion of the GATT Council meeting, August 25, a special working party was established to scrutinize the temporary import surcharge. This group reported to the Council on September 16. Twenty-four nations, including the United States, were named to the working party.

The GATT Council agreed on the following terms of reference for the working party: "To examine the U.S. temporary import surcharge . . . and to exchange views on other measures in the U.S. program of a nonmonetary character having a direct impact on international trade."

The European Community is officially represented in the working party, as are its individual members. Other major trading nations on the panel are Japan, Canada, Switzerland, and the United Kingdom. Klaus A. Sahlgren, Finland's permanent GATT representative, is serving as chairman.

On the whole, foreign reaction to the surcharge has been predictably critical, generally being related to the effect it has on trade with the United States. However, there has been a notable absence of immediate retaliatory measures by our trading partners.

In general, the developed countries asked for early removal of the surcharge, hoped it would be of short duration, and called for early resolution of the problems leading to its imposition. The less developed countries have made a general plea that they be exempted from the import surcharge.

REEDOM — Still a Prime U. S. Objective

in pursuit of a liberal trade policy has been impressive.

In 1933, when U.S. duties were at their highest level, the average duty on dutiable agricultural imports was 83 percent. The average level for total—free and dutiable—agricultural imports was 28 percent. For nonagricultural imports the figures were 39 percent and 18 percent, respectively.

The Trade Agreements Act of June 12, 1934, which inaugurated the trade agreements program, authorized the President to negotiate with other countries for a mutual reduction of tariffs. This the President promptly did, and by 1947 the United States had concluded 32 agreements, including agreements with the United Kingdom, France, the Netherlands, Belgium and Luxembourg, Switzerland, Sweden, Canada, Mexico and 14 other Latin American countries, and a few other countries in Europe and the Near East.

By 1946, as a result of this activity, the average U.S. duty had been reduced to 31 percent on dutiable agricultural imports and 10.4 percent on total agricultural imports. For nonagricultural imports, the comparable figures were 25 percent and 9.5 percent.

In 1947, the United States joined 22 other countries in concluding the General Agreement on Tariffs and Trade (GATT), in which multilateral negotiations for tariff reductions were conducted between pairs of countries, but all reductions made were consolidated into the one agreement and extended to all GATT members under the "most-favored-nation" principle. Thus, each member benefited not only from the reductions it negotiated directly, but also from those negotiated by other members. The United States, as in the past, further extended these concessions to most non-GATT members as well.

This multilateral trading system has since been expanded to include 93 countries which are members of the GATT or which apply its provisions de facto. Further rounds of multilateral trade negotiations under the GATT—in Annecy, France, in 1949; in Torquay, England, in 1950–51; in Geneva in 1956; and again in Geneva in 1960–62—brought the U.S. tariff down to an average duty in 1966 of 10.7 percent on dutiable agricultural imports or 5.6 percent on total agricultural imports and 10.7 percent and 7 percent, respectively, on nonagricultural imports.

In 1967, after 4 years of preparations and negotiations, the "Kennedy Round" of trade negotiations was completed. Forty countries (including six in the European Community) agreed to reduce or bind duties covering $40 billion in world trade in industrial and agricultural products. The United States gave and received tariff concessions on over $8 billion each way. In the agricultural sector, excluding the grains arrangement, the United States gave concessions on imports worth $860 million and received concessions on export trade valued at $866 million. These concessions were scheduled for implementation in five stages—the final duty cut (one-fifth of the total cut) to take place January 1, 1972.

In 1970, following implementation of the first stages of the Kennedy Round cuts, the average U.S. duty on dutiable agricultural imports was estimated at 8.8 percent, or 5.1 percent on all agricultural imports. On nonagricultural imports the figures were 10.2 and 6.7 percent, respectively.

For the future, the United States will continue its quest for greater liberalization of world trade. Speaking for American agriculture, Clarence D. Palmby, Assistant Secretary of Agriculture, in testimony before the House Foreign Affairs Subcommittee on Foreign Economic Policy on July 22, 1971, set forth some of the targets as follows:

- In the short run, to make "specific adjustments in domestic and import policies that are needed in most countries now—such as the need for restraint in wheat marketing."
- In the medium run, to insure that the "enlargement" arrangements for admission of the United Kingdom and other countries into the European Community conform to the GATT, and to prepare for the protection of our trading position in the forthcoming negotiation over changes in existing concessions that will result.
- In the long run, to work in the GATT and elsewhere to achieve a "return to the original promise of GATT—the promise of a market-oriented agricultural trading world."

Recently in Paris, the Ministers of the Organization for Economic Cooperation and Development "affirmed that their governments will pursue policies aiming at greater liberalization of world trade," and a small, high-level group was set up to see how this might best be done. This work will have strong support from American agriculture.

A Summing Up:

Implications for U.S. Agricultural Trade

By KENNETH E. OGREN
Commodity Programs, Foreign Agricultural Service

AFTER World War II, the United States was the leading force in building international institutions such as the General Agreement on Tariffs and Trade and the International Monetary Fund. Such institutions provided the vehicles for multilateral reduction in trade barriers. They provided a world payments system to permit trade among nations on a multilateral, nonbarter basis. These international arrangements were deemed necessary to promote the economic growth and trade so vital to world peace and prosperity.

Several yardsticks can be used to measure the success of these efforts. In the postwar period tariff rates have been reduced by around three-fourths and many quantitative restrictions have been removed.

Total world trade (including that of Communist countries) more than doubled in the 1950's and again in the 1960's—increasing from $60 billion in 1950 to $310 billion in 1970.

In "real" terms the economic output of the principal industrialized countries (the OECD countries) rose by about 50 percent in the 1950's and by over 60 percent in the 1960's.

Because of the spectacular rate of recovery for some countries with war-ravaged economies, the share that the United States makes up in the total (for the OECD countries) has declined from 57 percent in 1950 to 48.5 percent in 1970. In contrast, the share of the European Community (EC) rose from 19 to 24 percent; and for Japan, the most striking shift of all took place—from 4 percent to 10 percent.

Agriculture gains

How has agriculture fared in all this? There have been marked gains in world agricultural trade, but they have not been nearly so marked as those in nonagricultural trade.

On the demand side, the dramatic postwar gains in consumer incomes have expanded the market for agricultural products as well as for nonagricultural goods and services. But, by and large as incomes of consumers grow, although their spending for agricultural products increases, the proportion of incomes going for agricultural products goes down.

Not all agricultural products fare alike, however. More dollars in consumers' pocketbooks translate into marked increases in consumption of beef and some other meats—witness the sharp rise in gross income of U.S. beef farmers in the last decade. Farmers growing feed ingredients for meat production also are beneficiaries of a rising market for meats.

Even under the "best of conditions" agriculture may not always share equally in increased world trade because agricultural output tends to be a declining share of total output. Moreover, agricultural trade conditions in recent years have been far from favorable.

High domestic price supports in many countries have stimulated uneconomic production with the result that those countries have curtailed access to their markets by means of variable-duty levies, quantitative restrictions, and other protective measures.

Excess production has been pushed on world markets through export subsidies and "restitutions" which disrupt "normal" trade flows of agricultural products and prevent the efficient worldwide use of agricultural resources based on comparative advantage.

The EC is the largest world market for farm products. Its implementation of the Common Agricultural Policy in the 1960's was a prime obstacle, although by no means the only one, to reducing agricultural trade barriers in the Dillon and Kennedy Rounds of general trade negotiations.

Despite the many problems of obtaining and keeping access to foreign markets, U.S. exports of agricultural products have had strong periods of growth in the postwar period. Exports reached a high of $6.8 billion in calendar 1966 following sustained growth in the early 1960's. But then declines in the next 3 years pushed that total down by a billion dollars. A strong recovery in the last 2 years has brought the figure for the latest period available, fiscal 1971, to an alltime record figure of $7.8 billion.

Possible changes for U.S. farm exports

What will be the direction for U.S. agricultural exports during the rest of the 1970's? The final outcome of the U.S. actions initiated in mid-August could have a profound effect on the answer to this question.

The forces of economic and social change in the last 25 years have been powerful ones. The more rapid flow of communications and ideas, the astounding technological developments and their rapid spread around the world—these and other factors are breaking down traditional national boundaries.

Decisions by the major U.S. industrial companies on investments for the future are made not just on the basis of national markets but also on world market prospects. These decisions involve location of new plants around the world, not just in the United States. Economic change and developments in one country increasingly affect other major countries.

The U.S. balance of payments position precipitated the trade and monetary actions taken on August 15 and the additional measures proposed for

Congressional enactment. No single factor can be labeled as the cause of this problem. There are a number of contributing factors as noted in earlier articles—some monetary, some trade, some related to U.S. commitments to achieve a peaceful and secure world and to stimulate economic growth for the less developed countries.

Hence, no single remedy can be prescribed, and no single country—the United States or any other—has sole possession of the remedies needed. Nor can the remedies be limited to those usually thought of as international. Domestic actions taken by the United States and other major countries to maintain economic growth and employment, to control inflation, and to alleviate the sometimes painful adjustments to economic change whether caused by domestic or international forces—these are all factors to be considered in assessing this problem and in prescribing remedies.

The U.S. balance of payments situation is the tip of an iceberg that warns of dangers ahead if prompt and far-reaching actions are not taken. As stated by Under Secretary Samuels in his statement to the GATT members meeting on the import surcharge, the United States is "not interested in piecemeal repairs and patchwork mending;" it seeks "lasting improvements in the trade and payments systems."

The United States is not, of course, the first nation in the postwar period to experience balance of payments problems or the first one to take action to remedy the situation. What makes this situation a "new ball game" and one that must involve many countries is the key U.S. role in the international monetary trade and payments system and its key role as the leading world economic power.

In seeking solutions together with its world trading partners, the United States can hardly overlook agriculture if basic and lasting solutions are to be found. As noted earlier, from the U.S. standpoint our agricultural trade has played an important role in the U.S. balance of trade position. In recent months when total U.S. export earnings have dropped below expenditures for imported goods, a growing surplus in agricultural trade has prevented an even worse deterioration in our overall trade position.

This favorable trade position in agriculture is based on a comparative advantage that the United States has over other countries for many agricultural products. The Nation's generous endowment of good land and favorable climate together with an efficient organization and high rate of technological development in its agriculture makes this comparative advantage possible and one that will not be easily overcome by other agricultural exporting countries.

Better market access needed

If the world's agricultural resources are to be used most effectively so that they give maximum benefits to consumers and producers alike, a trading system must be devised for agriculture that provides improved access to markets for the more efficient world producers. This improved access can be achieved only through a wide range of actions.

Among these actions are the prompt removal or substantive relaxation of quantitative restrictions and licensing arrangements which severely restrict U.S. agricultural exports.

Of prime importance are changes in domestic agricultural policies of major industrialized nations. Restrictive trade policies in agriculture can often be traced to high price supports and other domestic policies where the intended objective is to maintain reasonable relationships between incomes of farmers and nonfarmers. These measures, however, have often stimulated uneconomic production and they have shifted much of the cost burden for supporting farm incomes to consumers and to foreign producers. Besides, small farmers with a low volume of production receive relatively little income benefits from price support programs.

The new U.S. commodity programs, provided by the Agricultural Act of 1970, are designed to give to U.S. producers a higher degree of flexibility to adjust to changes in foreign as well as in domestic markets. As stated recently by Assistant Secretary of Agriculture Clarence Palmby, "these new domestic programs are written in a way to permit overseas expansion—and in fact they *rely* on export expansion as an essential growth factor in the farm economy." To obtain the full benefits of the potential export expansion for products where we have a comparative advantage, however, other nations must alter their domestic agricultural policies—actions that they were not willing to take during the decade of the 1960's.

On the monetary side, exchange rates that more realistically reflect the true value of world currencies will improve the competitive position of U.S. agricultural products from the situation prevailing prior to mid-August 1971. But this can be only a partial solution. Variable levies, quotas, and other restrictions can prevent the intended effects of currency realignments from taking effect.

In this and preceding articles in this issue, we have considered the actions in the President's economic program most directly related to international issues. But these are not the only ones in this program that can affect the competitive position of U.S. farm products on international markets. Domestic actions that restrain inflation and thus hold down rising costs of production for U.S. farmers are bound to put them in an improved competitive position in relation to foreign producers.

Many other developments in the domestic economy also can affect the U.S. farmer's position as a supplier on world markets. A current example is the longshoremen's strike on west coast ports.

For July, the first month of the strike, U.S. exports from the west coast were $70 million below those of last year. How much of this loss will eventually be regained or was diverted to other ports cannot be determined. But any prolonged disruption of shipments or a spread of the strike to other ports will not only affect this year's exports but those in future years. Foreign customers will increasingly look to other sources for their supplies. This danger is especially critical for more perishable and bulky farm products for which prolonged storage is either not practical or very costly.

In summary, domestic and international policies are closely linked to agriculture—perhaps more so than for any other major sector of the U.S. economy. In the 1970's the economic health of U.S. agriculture is likely to become even more dependent on world markets.

The interrelated attack on both domestic and foreign problems that was announced by President Nixon on August 15 is a first and necessary step that can lead to a lasting improvement of the competitive situation for the many U.S. farmers who sell their products on world markets.

 (Continued from page 6)

rapid decline, foreign countries could, through their Central Banks, exchange their dollars for U.S. gold. While this was legally possible, not since 1964 has the United States had enough gold and other reserve assets to match the dollar holdings of foreign Central Banks.

While stability has characterized the Free World monetary system since World War II, that system has experienced a number of "crises" in the last 4 years. The system was shaken in November 1967 when the United Kingdom and 16 other independent nations devalued their currencies. There was the fear that a chain reaction would start in which all nations of the world would devalue their currencies repeatedly in an attempt to maintain or gain a competitive advantage for their exports.

In less than 5 months after these devaluations, there was a rush out of currencies and into gold. In the first 2 weeks of March 1968, the U.S. stock of gold declined approximately $1.2 billion as the U.S. Government tried to support the price of gold in the world private market at $35 an ounce. However, on March 17 the United States and its major financial allies abandoned this policy and instituted the "two-tier" price system. Under this system the price of gold was kept at $35 an ounce for transactions between governments, but the price in the private market was permitted to fluctuate as speculators and industrial users bargained with various suppliers of the metal.

During subsequent months there was always the fear that dollars would be turned in by foreign Central Banks in large numbers for U.S. gold if the market price of gold became much higher than the official price. This could have caused a collapse of confidence in the world monetary system. The price was highly sensitive to changes in economic or political conditions.

On March 10, 1969, the price of gold reached an apex on the London market of $43.825. There was uncertainty in foreign exchange markets over the value of the French franc. The price of gold remained high as long as tensions in France were high. Toward the end of 1969, however, the price of gold fell to a more comfortable level.

Then in May 1971, the system received another shock. Because of the huge inflow of dollars into Germany, the German Government decided to float the German currency, the mark. This means that there is no fixed relationship between the mark and the dollar. The exchange rate between these two currencies is established by private foreign-exchange dealers buying and selling them.

Before the decision was made to float the mark, Germany's Central Bank (the Bundesbank) was buying a huge number of dollars in the exchange market. The inflow of dollars into Germany (supply) was pushing the price of the dollar downward and thus the mark upward, to the upper limit permitted by IMF rules. It was when the supply of dollars held by the Bundesbank became too great that Germany decided to let only the private market forces of supply and demand set the exchange rate. To protect themselves against large inflows of dollars, the Dutch decided to let the guilder float, too, and the Swiss and Austrians decided to revalue upward.

When Germany and the Netherlands permitted their currencies to float, they were violating one of the two basic principles that had given the world a stable monetary system, or, at least since 1967, a relatively stable system. Adding to the instability was the fact that Canada had been floating its dollar since May 1970. Furthermore, Japanese reserves have been climbing rapidly over the last 2½ years, pointing possibly to another currency floating.

Lastly, there were huge sums of money that could be shifted quickly from one currency to another and in the process upset the exchange markets and destroy the monetary policies of nations. These funds are sometimes called "hot money," since they can be moved very quickly. A very large proportion of this money is Eurodollars—bank accounts denominated in dollars but held in banks outside the United States. At present there is no international control over these funds, although particular nations can impede their inflow at some sacrifice to the free movement of resources.

Each monetary crisis that occurred made it clearer that the old system had outgrown its usefulness. The repair jobs on the system embodied in the two-tier gold market and the floating of currencies violated to some extent the basic principles of the old system—the dollar tied to gold and other currencies tied to the dollar. The system still functioned but was not serving the world well.

Another crisis in confidence seemed likely over a U.S. balance of trade deficit. This could have placed the world economy in a state of confusion from which it would not readily recover.

It was against this background of international monetary problems, plus the domestic problems of unemployment and inflation, that President Nixon instituted his New Economic Policy. From an international viewpoint, the new policy stated that the United States would no longer keep the price of gold fixed at $35 an ounce by buying and selling at that price (the "gold float"), and that a surcharge would be applied to a number of imports. These changes are discussed elsewhere in this issue.

EC Currencies React to U.S. NEP

When the United States floated the dollar on August 15, certain monetary changes took place in Europe.

Belgium tied its franc to the Dutch guilder. France created a two-tier exchange market—one for trade and one for financial transactions. Italy permitted the lira to float upward (so far, market forces have raised it less than 2 percent above par value).

In May, after the Germans and the Dutch floated their currencies, three EC price zones—Germany, the Netherlands, and "all others"—were created for commodities covered by the Common Agricultural Policy. Each zone had its own level of import duties and export subsidies, instituted to offset the normal consequences of floating EC currencies. The reactions in August still left three zones, but with a different combination of countries. Belgium, the Netherlands, and Luxembourg became one zone; Germany a second; France and Italy, a third. However, if the lira appreciates by more than 2.5 percent, Italy will become a separate zone.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Sept. 22	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.96	−1	2.13
USSR SKS-14	1.84	−1	(1)
Australian FAQ	1.69	0	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.85	−4	2.03
15 percent	1.96	−2	2.07
U.S. No. 2 Hard Winter:			
13.5 percent	1.79	−1	1.96
No. 3 Hard Amber Durum	1.78	−2	2.01
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.71	+1	1.89
Feedgrains:			
U.S. No. 3 Yellow corn	1.35	−3	1.84
Argentine Plate corn	1.63	−2	1.99
U.S. No. 2 sorghum	1.38	−4	1.73
Argentine-Granifero sorghum	1.39	−5	1.74
U.S. No. 3 Feed barley	.98	−3	1.54
Soybeans:			
U.S. No. 2 Yellow	3.29	−8	3.24
EC import levies:			
Wheat [2]	[4] 1.47	[4] +2	1.26
Corn [3]	[4] 1.00	[4] +5	.54
Sorghum [3]	[4] 1.00	[4] +5	.58

[1] Not quoted. [2] Durum has a separate levy. [3] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. [4] Forward trading suspended Aug. 18. Levies are for current month only. Note: Basis—30- to 60-day delivery.

Tobacco

U.S. Tobacco Imports, January-July

Imports of unmanufactured tobacco for consumption (duty-paid withdrawals from customs bond for manufacture) during the 7 months January-July 1971, were 144.9 million pounds—about 15 percent above the 126 million pounds imported during the same period in 1970. However, the value of the imports, at $75.1 million, was slightly less than in the same period a year ago.

Greater imports of cigarette leaf and scrap tobacco were largely responsible for the increase as flue-cured and burley cigarette leaf registered a substantial decline.

Imports for consumption during July were 33.8 million pounds, compared with only 20.5 million pounds in July 1970. The value of imports for July, at $11.4 million, was almost the same as for July 1970, indicating a significant reduction in the average unit price of imported leaf.

U.S. GENERAL IMPORTS OF UNMANUFACTURED TOBACCO

Period and kind	1970		1971	
	Quantity	Value	Quantity	Value
	1,000 pounds	*1,000 dollars*	*1,000 pounds*	*1,000 dollars*
January-July:				
Cigarette leaf (flue & burley)	12,185	4,227	3,780	1,003
Cigarette leaf, other	105,849	64,845	97,136	51,868
Cigar wrapper	462	1,921	629	2,115
Mixed filler & wrapper	773	1,500	155	670
Cigar filler, unstemmed	23,402	8,051	24,794	8,309
Cigar filler, stemmed	1,961	2,226	1,422	1,676
Scrap	15,895	4,511	20,992	5,029
Stems	57	4	134	11
Total	160,584	87,285	149,042	70,681
July:				
Cigarette leaf (flue & burley)	1,108	237	1,344	380
Cigarette leaf, other	6,346	4,752	6,292	4,148
Cigar wrapper	48	329	3	10
Mixed filler & wrapper	543	457	0	0
Cigar filler, unstemmed	3,237	1,079	1,704	411
Cigar filler, stemmed	811	845	293	234
Scrap	876	317	3,020	715
Stems	1	1	0	0
Total	12,970	8,017	12,656	5,898

Bureau of the Census.

U.S. IMPORTS OF UNMANUFACTURED TOBACCO
[For consumption]

Period and kind	1970		1971	
	Quantity	Value	Quantity	Value
	1,000 pounds	*1,000 dollars*	*1,000 pounds*	*1,000 dollars*
January-July:				
Cigarette leaf (flue & burley)	4,363	1,220	1,173	348
Cigarette leaf, other	81,564	55,144	95,865	54,660
Cigar wrapper	388	1,681	341	1,129
Mixed filler & wrapper	159	663	106	467
Cigar filler, unstemmed	1,712	1,375	1,858	1,658
Cigar filler, stemmed	1,674	2,179	1,607	2,124
Scrap	36,352	13,107	43,724	14,712
Stems	71	3	252	12
Total	126,283	75,372	144,926	75,110
July:				
Cigarette leaf (flue & burley)	1,909	366	166	48
Cigarette leaf, other	12,361	8,319	23,074	7,305
Cigar wrapper	83	265	45	146
Mixed filler & wrapper	13	57	17	79
Cigar filler, unstemmed	597	281	282	310
Cigar filler, stemmed	163	202	200	238
Scrap	5,344	1,815	9,988	3,290
Stems	0	0	14	(1)
Total	20,470	11,305	33,786	11,416

[1] Less than 500. Bureau of the Census.

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Foreign Agriculture

General imports (arrivals) in May 1971 were about the same as May 1970 but were considerably short of consumption. The import value of $5.9 million for July 1971 was over 25 percent less than the $8 million in July 1970. Cumulative imports for January-July 1971 were 149 million pounds valued at $70.7 million. This represents a decline of 7 percent in quantity and 19 percent in value from the same period of the previous year.

Cumulative arrivals during January-July 1971 were about the same as duty-paid withdrawals from customs bond for consumption, whereas in the same period a year ago, arrivals were substantially ahead of duty-paid withdrawals.

Philippine Exports of Virginia Leaf Down

Philippine exports of unstripped Virginia leaf were down substantially in the first 6 months of 1971 compared with the first 6 months of 1970. Total Philippine unmanufactured tobacco exports were 43.1 million pounds during January-June 1971, of which 5.1 million (12 percent) was unstripped Virginia. In January-June 1970 total exports were 31.5 million pounds of which 7.3 million was unstripped Virginia. Exports of unstripped Virginia to the United States were only 107,000 pounds in 1971 compared with 5.4 million pounds in the same period of 1970.

The average value of total Philippine tobacco exports during January-June 1971 was 18.5 U.S. cents per pound. The average value of unstripped Virginia exports was 1.7 U.S. cents per pound.

Philippine leaf imports are limited by a law that requires 4 pounds of domestic leaf to be exported for each pound imported. The United States exported 7 million pounds to the Philippines in 1970 and imported 27 million. U.S. exports to the Philippines were 3.3 million pounds during the first 7 months of 1971, while imports were 14.5 million. The average value of these exports during the first 7 months of 1971 was 87.2 U.S. cents per pound. The average value of imports was 30.9 U.S. cents.

PHILIPPINE EXPORTS OF UNSTRIPPED VIRGINIA LEAF, JANUARY-JUNE 1971

Destination	Quantity	Value	Average price
	1,000 pounds	*1,000 dollars*	*Cents per pound*
Indonesia	1,764	16	0.9
West Germany	1,608	22	1.4
Singapore	848	15	1.8
Belgium	355	8	2.1
Liechtenstein	243	21	8.6
Italy	121	2	1.4
United States	107	1	1.4
Hong Kong	78	1	1.8
Total	5,124	86	1.7

PHILIPPINE TOBACCO EXPORTS BY DESTINATION, JANUARY-JUNE 1971

Type	U.S.		All others		Total	
	Quantity	Average price per pound	Quantity	Average price per pound	Quantity	Average price per pound
Virginia leaf (except wrappers):	*1,000 pounds*	*Cents*	*1,000 pounds*	*Cents*	*1,000 pounds*	*Cents*
Unstripped	107	1.4	5,017	1.7	5,124	1.7
Stripped	—	—	3,182	26.7	3,182	26.7
Native leaf (except wrappers):						
Unstripped	2,938	20.3	21,293	18.0	24,231	18.3
Stripped	364	28.5	932	26.3	1,296	27.0
Scrap	8,500	23.8	183	21.0	8,683	23.7
Cigar fillers and ends	337	20.5	157	25.1	494	21.9
Refuse (including stems & siftings)	33	5.0	63	9.9	96	8.2
Cigar wrappers	—	—	9	103.9	9	103.9
Total, all types	12,279	22.8	30,836	16.8	43,115	18.5

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